

1                                   **VIRGINIA TOBACCO INDEMNIFICATION**  
2                                   **AND COMMUNITY REVITALIZATION COMMISSION**

3                                   701 East Franklin Street, Suite 501  
4                                   Richmond, Virginia 23219

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9                                   **Executive Committee Meeting**

10                                  Monday, January 9, 2006

11                                  3:00 p.m.

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13                                  House Room C  
14                                  General Assembly Building  
15                                  Richmond, Virginia

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CRANE-SNEAD & ASSOCIATES, INC.  
4914 Fitzhugh Avenue, Suite 203  
Richmond, Virginia 23230  
Tel. No. (804) 355-4335

**APPEARANCES:**

The Honorable Charles R. Hawkins, Chairman  
The Honorable Terry G. Kilgore, Vice Chairman  
Mr. Thomas W. Arthur  
The Honorable Kathy J. Byron  
The Honorable Allen W. Dudley  
The Honorable Clarke N. Hogan  
The Honorable Joseph P. Johnson, Jr.  
The Honorable Philip P. Puckett  
The Honorable Frank M. Ruff  
Mr. James C. Thompson  
The Honorable William C. Wampler, Jr.

**COMMISSION STAFF:**

Mr. Ned Stephenson, Acting Executive Director  
Mr. Timothy Pfohl, Grants Program Administration Manager  
Ms. Stephane Wass, Director of Finance  
Ms. Britt Nelson, Grants Coordinator Southside Virginia  
Ms. Sara Griffith, Grants Coordinator Southwest Virginia

**OFFICE OF THE ATTORNEY GENERAL:**

Mr. Francis N. Ferguson, Deputy Attorney General, Counsel to the  
Commission  
Ms. Stephanie Hamlett, Senior Assistant Attorney General, Bond Counsel  
Ms. Anne Marie Cushmac, Senior Assistant Attorney General, Counsel to the Commission

1 SENATOR HAWKINS: It's three o'clock, I'll call the meeting to order. Call the roll.  
2 MR. STEPHENSON: Mr. Arthur?  
3 MR. ARTHUR: Here.  
4 MR. STEPHENSON: Mr. Bryant?  
5 MR. BRYANT: (No response.)  
6 MR. STEPHENSON: Delegate Byron?  
7 DELEGATE BYRON: Here.  
8 MR. STEPHENSON: Delegate Dudley?  
9 DELEGATE DUDLEY: Here.  
10 MR. STEPHENSON: Delegate Hogan?  
11 DELEGATE HOGAN: Here.  
12 MR. STEPHENSON: Delegate Johnson?  
13 DELEGATE JOHNSON: Here.  
14 MR. STEPHENSON: Senator Puckett?  
15 SENATOR PUCKETT: Here.  
16 MR. STEPHENSON: Senator Ruff?  
17 SENATOR RUFF: Here.  
18 MR. STEPHENSON: Secretary Schewel?  
19 SECRETARY SCHEWEL: (No response.)  
20 MR. STEPHENSON: Mr. Thompson?  
21 MR. THOMPSON: Here.  
22 MR. STEPHENSON: Senator Wampler?  
23 SENATOR WAMPLER: (No response.)  
24 MR. STEPHENSON: Mr. Vice Chairman?  
25 DELEGATE KILGORE: Here.  
26 MR. STEPHENSON: Mr. Chairman?  
27 SENATOR HAWKINS: Here.  
28 MR. STEPHENSON: We have a quorum, Mr. Chairman.  
29 SENATOR HAWKINS: Thank you. We've got a fairly extensive agenda to deal with,  
30 and we need to make some recommendations to the full Commission tomorrow.

1           The first thing we need to do is get the approval of the Minutes of the September 6, 2005  
2 meeting. Do I have a motion? I've got a motion and a second, all in favor say aye? (Ayes.) Opposed?  
3 (No response.) They're approved.

4           Next item on the Agenda is the VECTEC Facility in South Boston. Ned.

5           MR. STEPHENSON: Members of the Committee, to refresh your memory I would  
6 like you to recall that in August you approved a grant for \$400,000 in favor of the VECTEC Facility to  
7 be located in Chase City, Virginia. That grant was approved in August by the full Commission.  
8 Subsequently, the Technology Committee met in November and brought a motion that the location of  
9 the facility be changed from Chase City to South Boston. That motion came to the full Commission also  
10 in November, whereupon it was tabled and referred to this Executive Committee, and that's what brings  
11 it before us today.

12           I've talked to the grantee on this, and there are several options you have to cure this. I've  
13 placed them on the slide, which you can see to your right or left. I think there are four options before  
14 you for resolving this issue. The first one would be to simply affirm the Chase City location for the  
15 VECTEC Facility, and that would be all that's necessary. The second option would be to change the  
16 location from Chase City to South Boston. Then, options three and four before you, that is to provide  
17 additional funds to locate a facility in both Chase City and South Boston, either on a part-time or full-  
18 time basis.

19           DELEGATE KILGORE: Where do they want to be?

20           MR. STEPHENSON: We have in the audience today John Miller with VECTEC, and  
21 he is prepared to speak. I might ask him if he would address that question.

22           MR. MILLER: I'm John Miller, and just so you know where we are, we were  
23 originally asked to apply and put our facility in South Boston, which we started to do, and then we were  
24 asked to move it to Chase City by the Tobacco Commission. Then we were asked to, where we would  
25 prefer it to be, and we did an analysis, and we found that there are four times as many small businesses  
26 in South Boston, that's more geographically located than Chase City.

27           We were working with Virginia Main Street in South Boston. The IDA and the Chamber  
28 of Commerce folks were very interested in having it in South Boston. Then we were asked where we  
29 would prefer to be, and for those reasons we prefer it to be in South Boston. We will put it anywhere  
30 you all want to put it, but we're at a place now we'd like to have a decision.

1               SENATOR HAWKINS: We could sit here and debate this all day long, but we need to  
2 make a decision before the Commission meeting tomorrow.

3               What I dislike about what we have done is to tell a community we plan to do something  
4 and then change that for various reasons. I know there are some personalities involved, but the  
5 Commission is being brought into the middle of a discussion between various localities for basically the  
6 location of the same facility, and that's something I don't personally have a great deal of appetite for.  
7 Being the great statesman that I am, what I plan to do is to assign to the proponents, which is Delegate  
8 Hogan and Senator Ruff and other members of the delegation in that area, to settle this by tomorrow  
9 morning and make a joint recommendation for the full Commission. If we have to divide the baby, then  
10 we will, but I think cool heads will prevail, and I know, with the leadership of Delegate Hogan and  
11 Senator Ruff, they'll come up with something that we all love and embrace. I'm sure they will.

12              Having made that motion, I would like to appoint Senator Ruff as Chair and Delegate  
13 Hogan as Co-Chair to get together with the other members of the Commission from that area and solve  
14 this problem so we don't have to, because it's not our job. Thank you. Unless it has to be, and then we  
15 can do it, and I can assure you we've got a place in Chatham, and we'd love to have it.

16              DELEGATE HOGAN: Mr. Chairman, I think we should move to Chatham.

17              (Laughter.)

18              SENATOR HAWKINS: I don't want to do that  
19 yet, but this can be worked out with a regional approach, and I'm sure that with the reasonable people  
20 that we have on this Commission they can find a reasonable compromise. Thank you.

21              Next on the Agenda.

22              MR. STEPHENSON: Mr. Chairman, from time to time the question arises what to do  
23 when we find a grant for a grantee and they acquire an asset and later those assets are sold. The question  
24 arises as to whether the Commission has an interest in the sales proceeds, or whether it wants an interest,  
25 and whether we should try to recover that money. This came up at the last Southside Economic  
26 Development meeting, where there was a particular grant that we made and there was an asset that we  
27 thought may be sold later on. You asked that the Staff work on this issue, and we've brought back some  
28 recommendations to you.

29              There are several problems we have associated with what we call clawback provision.  
30 The first problem is that there's really no tracking system other than an audit system. We're not

1 recording, or we're not running any list of these. The only way we have to know if an asset is sold is if  
2 someone happens to think to tell us about it. It's actually an honor system. To my knowledge, there is  
3 no notice to any buyer; if there's not a lien on the property they would acquire the property unknowing  
4 about the fact that there is a clawback provision. There are some special issues surrounding clawback or  
5 grant resources when you're using securitized dollars, and accounting for those dollars becomes  
6 complex. There are some issues that counsel has advised us that we need to pay attention to, and some  
7 other smaller issues.

8 With all of that said, Mr. Chairman, after considerable discussion, the Staff has  
9 recommended a policy directive for the Committee to consider, and I've placed that on the wall here for  
10 you to look at. I'd like to tell you currently that your grant agreement does not contain any clawback  
11 provision, except the securitized agreement, and they do contain a clawback provision. We're  
12 recommending that you remove any clawback provision whatsoever from all of your grant agreements,  
13 which would mean that any grant that you make has finality to it insofar as those assets are concerned. I  
14 bring that to you for discussion and/or guidance.

15 SENATOR HAWKINS: The floor is open for discussion.

16 DELEGATE HOGAN: Mr. Chairman, as a policy I don't object to it, but in terms if  
17 someone asks what is your policy, or that might be the policy, but I can give you an example. The  
18 Tobacco Commission has a contract with MBC that includes a pretty significant clawback provision, if  
19 you want to call it that. Basically it says we don't want to take the assets. Especially in projects like that  
20 I don't think we want to give that up as a matter of policy. If we specifically want those kinds of  
21 arrangements, I think we need to be able to do it and it shouldn't be detrimental to that project, because  
22 that's something we don't want to do.

23 DELEGATE KILGORE: From our legal counsel down there at the other end of the  
24 table, what's the ramification of this on past grants that we already have out there?

25 MS. HAMLETT: I'll let Frank answer that.

26 MR. FERGUSON: I don't think, assuming this  
27 policy recommendation is made on a going forward basis, I don't think we have to be too concerned  
28 about that. I think the concern in the past has been that we fund some project and they spend the money  
29 and nothing to show for it, and then somebody else gets to sell whatever assets they acquire, and some

1 other entity has this windfall with no result. That has not necessarily happened, thank goodness, and I  
2 don't think it would, but that has been the concern about trying to reach those assets in the past.

3 There have been some projects in the past where we have made attempts, or made an on-  
4 going attempt to recover some of what the Commission has provided. In some of those cases, knowing  
5 that that was a risk, we've done it as a loan rather than as a pure grant. I think it's certainly within the  
6 realm of possibility to do what Delegate Hogan suggests, which is as a general policy a routine grant  
7 would not be included but always allow the Commission the ability to have a clawback or refund  
8 provision in any grant document where we felt that the particular transaction merited that.

9 SENATOR HAWKINS: We need to make sure that when we invest these monies for  
10 economic development they're used for that purpose. We don't want to find ourselves opening up a  
11 whole window of opportunity for mischief if we're not careful, things being sold and transferred without  
12 some sort of understanding. I would think that anything we did in the way of the allocation formulary  
13 and where we funded it, we could have a provision that would require any sale of that be reported to the  
14 Commission, and then case by case whether that would have to be a reimbursement or not, depending on  
15 what the money would be used for in future investments. I don't think as a blanket statement excluding  
16 everyone.

17 MR. STEPHENSON: If we include a clawback provision, to me it implies that you  
18 would expect Staff to track and enforce asset sales of grants. Currently we only have an honor system, if  
19 we happen to know about it, and that's not very tight.

20 SENATOR HAWKINS: If we have a provision, at least we have some sort of standing  
21 that says we can review things that are sold, an asset that we paid for. I find it very troubling just to  
22 walk away from something without having any understanding of what's going to happen to those  
23 monies.

24 DELEGATE DUDLEY: Mr. Chairman, I would rather see us have it and not use it than  
25 to need it and not have it, to tell you the truth.

26 SENATOR HAWKINS: We may have a provision that gives us the right to review, I  
27 think we'd better off than just walking away from it.

28 DELEGATE HOGAN: Mr. Chairman, I would agree with that, and I think that's the  
29 posture we're presently in. I think if we lay this issue on the table, I think that's what we want to do, and  
30 I'd so move.

1                   SENATOR HAWKINS: Frank, do we have enough language in the contract to give us  
2 that protection?

3                   MR. FERGUSON: I'm looking at Tim, and he's shaking his head, and that's my  
4 recollection. Probably in the current grant documents there's not an explicit provision that would do  
5 what I'm hearing Delegate Dudley say he would prefer. Certainly Mr. Stephenson's point is a valid one,  
6 that there is no readily ascertainable method by which a small staff is going to be able to track these  
7 things. The point is valid also that if that requirement is there it at least gives us the ability if we become  
8 aware of it going after it, and it would give us a contractual obligation that they make that repayment.  
9 As it stands now without that language, we have it in some specific cases, but we don't have it in all, I  
10 think is the current practice.

11                  SENATOR HAWKINS: I think we need to have some sort of protection there. We  
12 need some sort of language.

13                  MR. STEPHENSON: The language exists in the securitized grant agreement, and that's  
14 pretty tight, but we just have not had it historically in the unsecuritized grant. It seems to me that if it's  
15 the wish of the Committee to have this language we duplicate it in both grant agreements to cover all  
16 grants.

17                  A point of clarification, Mr. Chairman, I would like for the Committee to be clear about  
18 its expectations of Staff in tracking asset sales.

19                  DELEGATE BYRON: Mr. Chairman, is it possible if you're still trying to get to these  
20 things to have a certain dollar figure put on those grants, that it would pertain to those that have a higher  
21 value than those that did not? It would narrow down the work and protect us from the higher risk.

22                  DELEGATE HOGAN: Mr. Chairman, how is this going to work, if you think about it  
23 for a moment? You give a grant to a locality or to local government, which is what we do sometimes,  
24 and they build an industrial park, and then they sell a piece of that industrial park to an industry, I think  
25 that's what we want them to do. What you wouldn't want them to do is something like MBC, I don't  
26 want to pick on them, but we've given a bunch of money to them to build this broadband network, and  
27 then take that and turn around and sell it to Sprint, and then take the money and start their own  
28 foundation. In that case we have a pretty specific clause in that grant agreement that would cover that. I  
29 guess my point is that in most cases this is not going to matter. In the cases it does matter, like MBC, we  
30 can deal with that on an individual basis. I see no reason to take that language out, if you take that



1 language out of that securitization grant clause and stick it on every grant you're going to find yourself  
2 not having a lot of fun sometimes, and there's going to be some difficulty with it. It seems to me what  
3 we've got is working fairly well. I wouldn't want to adopt a policy just to be adopting it.

4 SENATOR HAWKINS: Any other discussion? Frank, in your opinion as counsel, do  
5 we have enough protection to prevent something like what has been mentioned by Delegate Hogan from  
6 happening?

7 MR. FERGUSON: Mr. Chairman, I think in most cases where we anticipate that kind  
8 of possibility in a particular grant we have included language, whether it's MBC or CropTech or some  
9 others, but I think there are probably instances where better language would be better as protection. Not  
10 to say that anything that has happened so far that we have not been able to do that we needed to do. If  
11 you want to be assured that you'll have that option when the time comes, we can work on language, and  
12 perhaps the language in the securitized one will fit perfectly with all. The more routine and non-  
13 securitized ones, something less or something that  
14 more discretion might be appropriate. We can work with Staff to try to  
15 accomplish that.

16 SENATOR HAWKINS: I think Delegate Dudley's comments are right on target that it's  
17 better to have it and not use it than to need it and not have it. Come up with some recommendations,  
18 let's table this, and we'll come back with some recommendations.

19 MR. FERGUSON: Mr. Chairman, if Ned thinks it's workable we'll try to have  
20 something by the next full Commission meeting in the spring.

21 SENATOR HAWKINS: All right. The other thing we need in this discussion is how  
22 we deal with these large requests for money when it comes to the allocation formula.

23 MR. PFOHL: I want to take a few minutes and talk about some of the array of projects  
24 and the types that are presented to your Committee and initially are presented to the Staff in the pre-  
25 applications. It's been a relatively growing array of project types.

26 I refer you to the handout, and the footer on this one says Executive Committee January  
27 9, 2005. Basically the Long Range Plan does not give us ample direction on an array of project types in  
28 making a determination if these are really true priorities for the Commission. The Long Range Plan  
29 makes a presentation but with some creativity folks can make a lot of different types of projects fit under  
30 the Long Range Plan. If we could get some clarification about where the Executive Committee would

1 like to move on some of these project types, including the grant program guidelines, so we can better  
2 target the requests as they come through various funding committees.

3 I'm going to touch on some of the project types, and then I'd like to refer you to the  
4 information in that handout that says, Policy Consideration for Specific Project Types. Most of them  
5 can be described as community amenities or attributes or quality of life aspects that indirectly affect  
6 economic development. These are issues where you have two communities that have similar industrial  
7 sites. These may be some of the factors that would lift one community above another. Whether or not  
8 they are really the deal-makers in attracting new jobs or new investments in the community is debatable.

9 The first is community centers, and specifically the Southwest Economic Development  
10 Committee in its round last year asked that we come to you for some consideration for community  
11 centers. This is probably more so in the Southwest region than the Southside. Some of these centers are  
12 purely civil and social in their activities. Some have some components that you can make a case that are  
13 Long Range Plan targets, workforce training, adult basic education, and some specific programs like  
14 that. Others are more health-oriented in some of their programs. So there's a mix of uses in some of  
15 these community centers. Generally speaking, these are serving primarily a local population and not  
16 necessarily a tourist-based population and arguably recycling local dollars in the community.

17 The second would be wellness centers and YMCA's and YWCA projects. We funded one  
18 of those in Tazewell out of the Southwest Economic Development Committee. We have a couple of pre-  
19 applications with us right now from prospective applicants in Southside that want to do wellness center  
20 projects and YMCA projects. These are the types of things that you could probably look on line, and if  
21 you look at the site standards they'll say a case could be made where the investigator looks at an array of  
22 issues from taxation to the availability of sites, prevailing wage rates, and things like that. They will  
23 look at quality of life amenities like this, but is this really the first thing in a deal making type of facility  
24 in a community?

25 Third is cultural facilities and programs, and there's a wide array of these types of  
26 projects, much more so in Southwest Virginia, and we've made those funding decisions, I think, or Staff  
27 has made recommendations and have adopted some awards based on tourism impact. We've asked  
28 people when they bring these projects to us to present economic impact figures and look at the tourism  
29 visitation and spending that we can look at, or that we can expect, and what that will bring to the  
30 community if this facility is expanded or created in the community.

1           The next one is a project that was specifically sent to you by the Southside Economic  
2 Development Committee, and that's for a childcare facility in Henry County. That's a request that came  
3 in during the last round. This specific request is the only childcare facility, to my knowledge, that we've  
4 been asked to participate in. It's a facility that will be located at the Patriot Center, which is adjoining an  
5 industrial park in Henry County and City of Martinsville. It would have slots reserved for industrial  
6 employers in the park. It would have a partnership with Patrick Henry Community College for early  
7 childhood education programs. There are some folks here that can speak to that that have provided  
8 some consulting services to Henry County on this project. A study in Henry County has indicated that  
9 there are at least 30-plus other childcare facilities, and there is still a need for additional childcare slots.  
10 The question is, do we want to start going down this road for childcare facilities, because I think we all  
11 recognize when you make one investment the next applicant won't be focusing on the aspects that sold  
12 us on the one project, but they'll be focusing on where their project fits. You could probably argue that  
13 in the case of Henry County, if we are going to do childcare, these are arguably the conditions that we  
14 thought or expected to be present in order to make the investment. It goes back to whether you want to  
15 start down that road for childcare funding.

16           The next issue is retail development, and we've spoken about this in past meetings. The  
17 Staff has discouraged requests for assistance for retail projects. In many cases these projects displace  
18 existing retail sales from existing businesses. They displace existing retail jobs. The net economic  
19 impact is often acquired at a cost to other local retailers, and in many cases corporate profits are leaving  
20 Virginia in the tobacco region with these retail dollars spent. The Staff feels that if we continue to do  
21 our job focusing on basic employment, and basic being the types of activities that bring in dollars from  
22 outside the tobacco region, we will create disposal income that can then be spent on retail and retail  
23 market development on its own without our assistance.

24           Another aspect that has received some conversation over the years is studies. There are a  
25 lot of potential sub-categories under that. Some of these studies are local and regional in nature, and  
26 some that are local say that are regularly recurring activity of local government, like economic  
27 development plans and so forth. Also strategic planning. Others are of a more regional aspect, like  
28 Southwest sewer and water studies we have had participation in. Some are very project specific, looking  
29 at the feasibility of developing a specific industrial park or a specific workforce center, and so forth. So  
30 there's an array of studies. We have discouraged people from submitting requests for those regularly

1 recurring local studies and then open to discussion things that are of a more regional nature and a more  
2 project specific nature.

3 The next one is 4-H facilities and programs. We've had requests from both regions for 4-  
4 H facilities for expansion and renovation of their programs that serve youth and hospitals, and there's a  
5 variety of things, such as agribusiness training, youth development, and there's a wide array of things  
6 that come up under the 4-H banner.

7 Another one is airports, and we've funded some projects for terminals and hangars and  
8 navigation equipment in both regions for airports under the argument that airports are an essential way  
9 to bring prospects into a region and accommodate the traveling of existing business managers.

10 Lastly are some other categories that indirectly affect economic development like  
11 housing, transportation, recreation, K through 12 education, is a wide array of other project types.

12 What we're looking for is some conversation and an indication of things you would wish  
13 us to steer clear of, or possibly entertain. I think there are probably three potential options here.

14 Number one, that we continue as we have been operating, which is Staff advises applicants on the  
15 likelihood of eligibility. We present them to your funding committees with a recommendation, and the  
16 committee then makes a recommendation to the  
17 full Commission. We get pulled in a lot of directions, as you can see from  
18 this ever-growing list.

19 The second option would be that these and similar projects like this that indirectly affect  
20 economic development are of a low priority and will not have a positive Staff funding recommendation  
21 to present to one of the grant committees.

22 The third option would be that we state in program guidelines these and similar project  
23 types are ineligible and will not be presented to the grant committees that make funding  
24 recommendations.

25 So, is there any question about what we're talking about here today, or do you need more  
26 detail on any of these? I'll be happy to entertain those, what is your pleasure?

27 SENATOR HAWKINS: Any discussion?

28 SENATOR RUFF: Mr. Chairman, we can at least shorten this list. I don't think we  
29 need retail, and I consider childcare as retail, because both of those would be competing with existing

1 private entities. Once we get into the business of competing with private entities we're going to have a  
2 tiger that's going to be awfully mad at us.

3 SENATOR HAWKINS: Point well taken, any other comments?

4 DELEGATE KILGORE: What you're suggesting about retail development and  
5 childcare under number one?

6 SENATOR RUFF: That's correct, Mr. Chairman.

7 DELEGATE HOGAN: Mr. Chairman, can we go back to the slide we just came from?  
8 I don't know the difference from a practical purpose between items one and two, so either one of them  
9 suits me  
10 fine, because it leaves the discretion up to us. I think section three, whichever one of those other two  
11 options you like. I don't really see a fundamental difference there. I would move we strike number  
12 three. We need to keep discretion with the Commission.

13 SENATOR PUCKETT: Mr. Chairman, I would very much agree with that, and I can  
14 give you one specific example. We tried for a long time in Southwest Virginia to encourage those that  
15 are in the private sector to help us, and they refused to help us on the broadband. Until we went on our  
16 own and said, we're going to do it, nobody was very interested in it. I agree with Delegate Hogan, and I  
17 believe the Commission ought to reserve the right to make a choice. If it's childcare, and there's no  
18 childcare wherever it is, and it's needed, then we ought to have an option to be able to do that, and I  
19 think he's exactly right.

20 SENATOR HAWKINS: That's our responsibility to make decisions. What troubles me  
21 is once we get into this sort of funding it never ends, there's no end to it. There are more museums out  
22 there than you can count, and everybody has a favorite child that they want funded. We have to use  
23 some discretion with these decisions that come before us. I can assure you, and particularly on the retail  
24 side, if we ever got into that, there'd be no end to it. Museums and all these things, when you consider a  
25 regional application I have a real problem. I do agree we need to have discretion to make those  
26 decisions based on the localities' needs, and every locality's need is unique and sometimes we just have  
27 to learn to say no.

28 SENATOR PUCKETT: Mr. Chairman, I agree with you, and I think that's what this  
29 Commission's responsibility is. We've got to make some of those tough decisions sometimes, and I still  
30 agree with you and Delegate Hogan that we need flexibility when an opportunity is out there to be able

1 to do that. I'm not here to try to compete with retail, and I agree very much that we shouldn't be, where  
2 retail is providing an adequate market. I think this Commission needs to reserve the right to consider  
3 that and make that decision.

4 SENATOR HAWKINS: Is your recommendation that Staff go ahead and use the  
5 number two approach with low priorities and let us make the final decision, is that pretty much  
6 agreeable? All right, thank you.

7 MR. STEPHENSON: Members of the Committee, we have recently had a potential  
8 transaction that has not yet formally come before the Commission, but it is likely to come before the  
9 Commission. It involves a need for some large dollar award to a single locality. Rather than talk about  
10 that particular transaction, I've asked Stephanie Wass, on behalf of the Chairman who asked for this, to  
11 bring to us some options of how you might make large dollar awards in Southside Virginia where you  
12 have an allocation system in place at this time. This discussion is really generic for all localities who  
13 may need to make a large dollar award, and it is not specific to any particular project, although the  
14 Southside Economic Development Committee will rely on the conclusions of this Committee for going  
15 forward in making or not making large dollar requests. This work is essential to equip that committee  
16 for their requests.

17 DELEGATE DUDLEY: Mr. Chairman, what parameters, Ned, are we using when we  
18 say large dollars?

19 MR. STEPHENSON: Large dollars has not been defined, except to say to those  
20 requests that are in excess of a particular locality's allocation under current formulas. I might remind the  
21 Committee that in the past we have squeaked around that a little bit by making an award of future  
22 allocations in one or two cases. Stephanie is going to talk about why that's problematical, today.

23 DELEGATE DUDLEY: Mr. Chairman, a follow-up question. Is there any locality that  
24 has an allocation that cannot defer spending that and let that amount build up?

25 MR. STEPHENSON: If a locality chooses to wait, the allocation system is not a use or  
26 lose proposition, so it does accumulate over time, if they want to bank that money, so to speak, over  
27 time.

28 MR. ARTHUR: Mr. Chairman, I'd like to back up for just a second. These two projects  
29 that were referred to this Executive Committee, have you referred them back to Southside, is that what  
30 you came to the conclusion of a moment ago? One of them was the Henry County Childcare, and the

1 other one was the water treatment plant. We referred them to the Executive Committee because they  
2 didn't meet the Long Range Plan, et cetera. Now you're referring them back to me, is that what you're  
3 doing?

4 SENATOR HAWKINS: A decision needs to be made on a case-by-case basis. As I  
5 understand it, each one has to rise and fall on its own merits, based on a certain understanding of the  
6 economic impact that it might have. When we get into some of these with low priorities, there'll be a  
7 decision we'll have to make on each one.

8 MR. ARTHUR: I don't mind the part about making a decision. It was referred to you  
9 by the committee, and I just want to make sure and be clear where it comes back to. So it's back to the  
10 Southside Committee?

11 SENATOR HAWKINS: Yes, sir.

12 MR. ARTHUR: Thank you, very much.

13 MR. PFOHL: I think the Henry County Childcare is coming back, and we're going to  
14 talk about Buckingham in a second.

15 SENATOR HAWKINS: Before we get to that, let me, Tom, I think your question is  
16 right on target. We need to have some mechanism to deal with multi-million dollar investments that  
17 may be required. We have a lot of counties that regardless of how long they hold back their money  
18 they'll never reach the threshold that they may need. We need to figure out some way that we can have  
19 some fund that could be drawn upon for a small county that can create the type of job structure that we  
20 think they need to meet the threshold. We don't have a mechanism like that right now, be it a Scott, or  
21 Cumberland County, or whatever.

22 We've got to have some mechanism to be able to address a large investment from us from  
23 a company that's willing to locate in the area providing hundreds if not thousands of jobs, we have no  
24 mechanism for that. We need to come up with a discussion of what we can do to allow us the flexibility  
25 to meet some demand. I think one now is \$8,000,000.00 that we'd be required to come up with, we need  
26 to do it, and that's our job. If we can't come up with that type of investment to create the type of  
27 infrastructure and  
28 job creation that would facilitate a particular area, then we're not living up to  
29 our expectations. We've got to come up with something that works.

1 DELEGATE HOGAN: Mr. Chairman, are you looking for ideas to accomplish that, or  
2 is the Staff getting ready to tell us some of theirs?

3 SENATOR HAWKINS: To give us some options of what we want to look at, and may  
4 add to those options, because we may need to have a little more flexibility.

5 MS. WASS: I was asked to come up with some options on how we can fund these  
6 large projects. In your packet there are some ideas on commitment of future allocations that lay out  
7 options A through D.

8 Option A is to do what we've done in a couple of cases, which is to award and disburse  
9 future allocations. While this works for some smaller projects, we can use it, cash balances, and front  
10 the money. On larger deals we want have enough cash in our balances to use from other places to front  
11 the money for future allocations.

12 Option B is to completely eliminate the Southside allocation formula and make all grants  
13 competitive.

14 Option C is to group localities into four or five regions. One of these scenarios, we had  
15 created a group done by PDC's to compete for funds available for that region, and that created a pool of  
16 money available for a larger project.

17 Option D is to invade the Southside Endowment for the maximum rate allowed by law to  
18 be able to come up with the cash needed to front these large projects.

19 A couple of other options we came up with were to, and we did this a little bit, where we  
20 grouped some of the smaller allocation counties together. That's where we would take those that have,  
21 say, a three percent share or less of the formula and group those in one pot and group the larger  
22 allocation counties into another pot. You can use three percent as a threshold, or ten percent as a  
23 threshold, and group the larger four or five counties together and all the smaller counties together.

24 SENATOR HAWKINS: Grouping the largest four or five together would have a  
25 definite advantage, doing that in negotiations and then be able to leverage at multi-million dollar levels  
26 without straining some of these others that we wouldn't be able to touch. You're tilting the development  
27 toward those that are larger. That's one thing we have to discuss, do we really want to do that or do  
28 something different?



1 DELEGATE KILGORE: Why do we, and I know this is a whole Commission, why do  
2 we in Southwest need to be involved in this decision that basically involves only you folks in Southside?  
3 You all need to get a grip on this and make a decision.

4 SENATOR HAWKINS: Because of your maturity and statesmanlike stature to bring  
5 some sort of understanding --

6 DELEGATE KILGORE: -- You have to choose --

7 SENATOR HAWKINS: -- You're right, it's something we have to deal with.

8 DELEGATE HOGAN: Mr. Chairman, I was thinking about this because the particular  
9 request that has precipitated this is from one of the counties that I represent. One of the things that has  
10 occurred to me, we can take this 270,000,000, that chunk of money that's set aside for Southside, let's  
11 just say it's \$200,000,000, for point of clarification. We can look at that for this project and say, I think  
12 the shelf life of these bonds is 20 years. We can come up with this basically by formula and let's say  
13 Halifax's share in this case is about 200,000,000 or Halifax's share in this 200,000,000 is about  
14 30,000,000. If you take 22 and divide it out over 20 years, and that's what their allotment is over the  
15 next 20 years, then you're done. It gives us the flexibility to do what we want and also protects the  
16 formula, for those people that are interested in that.

17 SENATOR HAWKINS: That protects and gives flexibility to a county like Halifax,  
18 Pittsylvania, Mecklenburg. Campbell County has a very small allotment, or a Cumberland County or a  
19 Charlotte that's had some real downturns in their economy. Dan River Mills, for instance, impacts that  
20 area. If you have a company that's willing to come in and take over the facilities and it wants to invest  
21 10 to 15 million dollars to upgrade the facility and hire five or six hundred people, and they needed X-  
22 millions of dollars from us in order to bring this project to fruition, we'd have no way of doing that.

23 DELEGATE HOGAN: If you want to take this \$8,000,000 off the top and give it to  
24 Halifax, we'd be happy to have it. I think that's what creates the heartburn.

25 SENATOR HAWKINS: We've got to figure a way to balance this out.

26 DELEGATE KILGORE: Mr. Chairman, I don't know how to say this diplomatically,  
27 but if it's going to help the Southside area, we need to make an investment to help create a bunch of jobs  
28 in Southside, and that's the way we do it in Southwest. If it creates them in Russell or Washington  
29 County, or Scott, we decide for the region. I think that's the way we're going to have to go.

1           SENATOR HAWKINS: I think we need to figure out a way to give Mr. Arthur's sub-  
2 committee some flexibility and some funds to be able to make these decisions based on the potential  
3 growth in these areas. We've got to have some mechanism. It may be using some part of funds that we  
4 have available. There's got to be something we can do, because we can't allow investments to disappear.

5           Clarke, do you think probably if we had the flexibility for the subcommittee or Southside  
6 Economic Development to be able to use those funds based on certain criteria regardless of any  
7 formulary, it would give us the flexibility we need?

8           DELEGATE HOGAN: I think there's a couple of ways to go. If you tell a community  
9 that had, say, a million-dollar allotment on a yearly basis, and they needed ten million dollars, all right,  
10 we'll give you the next ten years' allotment right now, then that puts them out of business for ten years. I  
11 think that's going to be pretty hard, because we're going to lose a lot of opportunities. Let's say that  
12 committee had \$20,000,000, and if we said, we'll give you \$10,000,000 now and you can have a half  
13 million dollars for the next year, that to me is easier to manage, and that comes close to keeping the  
14 peace. If we get a big project and somebody doesn't have a large allotment, then we'll have to deal with  
15 that  
16 and get the money from Special Projects or Technology, or Education, or  
17 wherever it is, and put it together.

18           SENATOR HAWKINS: We don't have a mechanism to do it now, and we need to have  
19 one. Probably, what we need to do tomorrow at the full Commission meeting is to give the Southside  
20 Subcommittee the authorization to deal with these, based on the criteria that we set in place, to be able to  
21 put money out and make sure that these smaller communities have an opportunity or some sort of an  
22 allotment that they don't have today. We're going to have to figure out some way we can handle that. If  
23 you took all the county's allocation and held them stagnant for ten or fifteen years and just had one  
24 project, that's not long-term planning. Southwest Virginia has approached it a little differently, and they  
25 have a little different demographics to deal with than we do. We can still come up with something that  
26 works for us.

27           Tom, this is very important, and this has got to be something that's done now. Why don't  
28 you think about this and get with the subcommittee and you all discuss this within the body itself and  
29 come back with a recommendation, give us two or three different approaches that you think would work  
30 and that is fair and give us an opportunity to deal with these multi-million dollar investment projects.

1 MR. ARTHUR: We'll be happy to do that, Mr. Chairman, we can't do it by tomorrow.

2 SENATOR HAWKINS: I know that. Allen, do you have --

3 MS. WASS: Mr. Chairman, let me just give you some ideas with some of the scenarios  
4 that have been mentioned today. If

5 you were to group them by PDC's, this will give you an idea of how much would be available in each  
6 pot of money that any of those counties can compete for. This is an example of the amount budgeted.

7 Another option is to go where you group counties together based on the lower allocation  
8 counties versus the higher ones. The smaller allocation counties would all compete for about 1.19  
9 million dollars, and the larger counties would compete for the 9.8 million. That's if you set the line at  
10 three percent share.

11 Another option would be to limit it at ten percent and take the top four counties and  
12 group them together and let them compete for that pot of money, and the smaller allocations would  
13 compete for 3.7 million.

14 SENATOR HAWKINS: This is where you're working with, in those four counties that  
15 get 7,000,000 and everybody else is 3,000,000? We've just got to deal with it some way. Those counties  
16 need to have a certain understanding. Every locality that we have to deal with has to have an  
17 understanding that there's a certain amount of money guaranteed based on the formula, but the formula  
18 has to have some sort of sliding scale we can deal with, with some projects that we have to deal with.  
19 We've just got to have that flexibility, and we don't have it right now. I can foresee a time when we may  
20 have to come up with a multi-million dollar package for whatever, automotive or otherwise.

21 DELEGATE KILGORE: I've always said that this formulary, or those counties and  
22 your bigger counties or even the smaller ones, they become dependent on that, and then projects are  
23 invented, or they  
24 come up with projects to spend that money. When there's money there it's  
25 going to be spent, and that's just the way it is.

26 SENATOR HAWKINS: That's a good point, and I think there are some levels of  
27 participation that, the problem we have now is that we've put ourselves in a box, and we've allocated  
28 some of the formulary money out in out years. There's just no good answer, and we've just go to fix it  
29 some way.

1 MS. WASS: Once there's a formula, you are restricted somewhat how you can fund  
2 larger projects. With the Southside Endowment there is a way to invade the Endowment for the greater  
3 amount, as long as you don't exceed it through the code. You could fund larger projects, but if you have  
4 to distribute it in that formula, then it ties your hands.

5 SENATOR HAWKINS: We have to justify invading that fund.

6 MR. STEPHENSON: Clarke, is it your suggestion a few minutes ago that we take the  
7 Endowment, the entire Endowment for Southside and apply the formula to that lump sum and thereby  
8 allocating a large sum to each county?

9 DELEGATE HOGAN: I didn't do a formula, but in terms of keeping track of it.

10 MR. STEPHENSON: Per the existing formula.

11 DELEGATE HOGAN: That gives you an idea of what you can do without upsetting  
12 the apple cart. If you've got a big automotive project in Cumberland, you might want to do it a different  
13 way.

14 DELEGATE KILGORE: What happens if you  
15 make that initial investment in Cumberland County and it brings all kinds of other folks wanting to  
16 make an investment in the same area around that same big investment we just made, and you've used all  
17 your money on the one?

18 SENATOR HAWKINS: If you take the monies we are holding in trust, which is  
19 several hundred million dollars, and apply the formulary to it, my county makes out like a bandit. I  
20 couldn't agree with that, I think these monies have got to be used for the benefit of the tobacco region,  
21 not Pittsylvania or Halifax County. When you look at the amount of money that those counties get,  
22 based on the formulary, and you put that same formula to the monies that we hold, we don't need to go  
23 there.

24 MR. STEPHENSON: Mr. Chairman, what I'm hearing is that you're asking the  
25 Southside Committee to work this out?

26 SENATOR HAWKINS: Make another decision not to make a decision.

27 DELEGATE HOGAN: Mr. Chairman, can we make a decision that we're going to  
28 figure out a way to solve the problem?

29 SENATOR HAWKINS: That's what I'm asking Mr. Arthur and his committee to do.  
30 Dealing with the Southside formula that you all work with on a daily basis, come back with some

1 recommendation with the funds that we have available and the obligations that we have already made to  
2 localities and what we can do to have the flexibility to be able to do and to raise the standards we need to  
3 meet such investments as they come up. We have to come up with that regardless of, we've got to do it.  
4 We've got to have some mechanism we can apply to other requests that come with an equal amount or  
5 larger amounts in the future.

6 All right, moving right along.

7 MR. PFOHL: The second project that Mr. Arthur referred to that was sent to your  
8 Committee by Southside Economic Development is Buckingham County New Water Treatment Plant,  
9 and there's a one-page handout summarizing that and the Henry County project. Buckingham was asking  
10 for 250,000, and they requested funds to help them with construction of the new \$10,000,000 water  
11 treatment plant. The Southside Committee asked that the Executive Committee consider this project's  
12 eligibility for Special Projects funds. The 250,000 was awarded elsewhere as a footnote. Ms. Carter, the  
13 County Administrator, is here to speak to the project.

14 The specific question was raised by Southside, is this project eligible for Special Projects  
15 funding, and I refer you to the wording from the Special Projects guidelines application instructions.  
16 "Applications will not be accepted for any of the following: infrastructure or projects for water and  
17 sewer, telecommunications, transportation, agribusiness or education, unless the proposal involves the  
18 active participation of three or more tobacco region localities."

19 I think that answers the question regarding Special Projects. The issue is before you, and  
20 the county is here to speak to it. I'm told by the County Administrator they're proceeding with an  
21 application to the State Department of Health Water Fund and the Virginia Resources Authority and  
22 looking to have a better handle on their funding mix in the coming months.

23 SENATOR RUFF: Mr. Chairman, when you proposed the creation of Special Projects,  
24 one of the arguments that you yourself used was that there are a number of localities that are too small to  
25 accomplish much with their allotment, so we created the Special Projects Committee. Then the rules of  
26 that committee then turned around and prevented what you yourself had proposed. I made the motion in  
27 the Southside Committee meeting that we bring it back and make a decision as to how we deal with this.

28 SENATOR HAWKINS: In defense of what seems to be a contradiction of statements  
29 from the Chair, my intent when we first started talking about this was to encourage counties that want  
30 Special Projects money to work with their neighbors to develop something that has a regional impact.

1 You've seen it take place in Halifax, Danville, Pittsylvania, developing several projects. You've also  
2 seen it take place in some of the Southwest counties to develop some sort of relationship. I'd like to be  
3 able to encourage Appomattox, Buckingham, and maybe Prince Edward, to work together and come up  
4 with a program that helps everyone in the region, to the best of our ability. I can understand your logic  
5 by trying to bring into play this particular project. Is there any way this could be expanded to bring  
6 other localities together?

7 DELEGATE HOGAN: Mr. Chairman, I'll give it a try. We should take a look at this  
8 area and see where it is, then you'd understand why we need to help these people develop this area, and I  
9 think that would benefit the citizens of three or four different localities, not just a few people that happen  
10 to live in the Town of Buckingham.

11 Following along with what Senator Ruff said, if we can't figure out a way to help, you've  
12 got to wonder why we have Special Projects, if we can't. I'd like to see if we can fund this out of Special  
13 Projects. You've got to put water and sewer someplace, and Buckingham is a big county, and they're not  
14 close to, it would help a lot of folks in that area in general.

15 SENATOR HAWKINS: When you all looked at this with Southside Economic  
16 Development in your discussion, the reason you all decided to send the request to Special Projects is  
17 what?

18 DELEGATE HOGAN: We ran out of money.

19 MR. ARTHUR: Mr. Chairman, this was part of a grouping of five or six counties,  
20 which we created a super fund for those counties, and there were several projects that merited a close  
21 look at. We had to pick between at least three. This one, even though we felt it needed attention, the  
22 other projects had more merit.

23 SENATOR HAWKINS: Although this does not meet certain criteria, and in fact it  
24 might, because you're talking about a regional approach to economic development, or competing against  
25 counties for the same amount of money, so it does have a regional appeal because it's a multiple  
26 jurisdictions approach on these applications that come before the Southside Subcommittee.

27 MR. ARTHUR: In this case, Mr. Chairman, we just ran out of money. All five counties  
28 came up with projects that were the exact amount of money, and it worked out, so we had to award one,  
29 and we picked what we thought was best.

30 SENATOR HAWKINS: Is there a motion?

1 DELEGATE KILGORE: I have a motion to approve this.

2 SENATOR HAWKINS: Is there a second? It's been moved and seconded.

3 MR. STEPHENSON: The Executive Committee approves it to be charged to Special  
4 Projects to look at this.

5 SENATOR HAWKINS: Let Special Projects look at it.

6 DELEGATE HOGAN: Mr. Chairman, can we amend that motion to say we  
7 recommend Special Projects consider this without prejudice with regard to jurisdictional restraints?

8 SENATOR HAWKINS: Yes.

9 SENATOR RUFF: Mr. Chairman, I think we really need to establish the policy on  
10 these smaller counties. Can they go to Special Projects when there is not enough money in those several  
11 counties for regional consideration under the current guidelines? That's the crux of it, not just  
12 Buckingham, but the one that may arrive in Bedford County next year or arrive in another county?

13 SENATOR HAWKINS: In my opinion, for what it's worth, the day that we rolled the  
14 economic interest of all of these counties into one ball of wax it became a Special Projects exception that  
15 we can use, because you're talking about a multi-county approach to economic development, and they're  
16 competing for one pile of money, as opposed to the allocation formula.

17 SENATOR RUFF: Mr. Chairman, shouldn't the action that this Committee takes be to  
18 direct the Special Projects Committee to change their rules for these particular counties?

19 SENATOR HAWKINS: That's a discussion that will have to take place within Special  
20 Projects; that's certainly our recommendation.

21 DELEGATE BYRON: Mr. Chairman, one thing we need to consider here is that the  
22 only reason that some of these projects will probably be put in, including the Bedford County one, was  
23 because, we pulled these counties together in the first place, and if not, then each one of these would not  
24 have met any criteria to apply. What we're basically saying is that some of these tobacco dependent  
25 regions that are smaller may have some worthwhile projects that are not being considered because there  
26 is no pool out there for them to go to.

27 SENATOR HAWKINS: I think we've created somewhat of an anomaly that we have to  
28 deal with, with these counties. I think that exception is not out of reason in the discussion. I think  
29 Special Projects needs to look at that and make a recommendation back to us.

1 All right, let's move this Special Projects discussion. You can use the special guideline  
2 deal with these counties that are put into one economic pot.

3 All right, the motion is made and seconded, all in favor say aye? (Ayes.) Opposed? (No  
4 response.)

5 MS. WASS: Mr. Chairman, there's currently an unobligated balance left in the TROF  
6 fund to get us through the end of the fiscal year. We're requesting a budget amendment to transfer  
7 \$1,065,490.00 from undesignated surplus carryforward to the TROF fund. That may or  
8 may not get us through June. These are revenues from last year not  
9 allocated.

10 SENATOR HAWKINS: Does everyone understand the transfer?

11 DELEGATE KILGORE: I so move.

12 SENATOR HAWKINS: It's been moved and seconded, all in favor say aye? (Ayes.)  
13 Opposed? (No response.)

14 Next is State Travel Regulations.

15 MS. WASS: Currently the Commission and the Executive Director are under travel  
16 regulations that are not standard with the State Travel Regulations. We're recommending that the  
17 Commission and the Executive Director adopt the State Travel Regulations. Currently you're under a  
18 separate set of travel regulations.

19 SENATOR HAWKINS: Is there a motion to confirm the travel regulations, State  
20 Travel Regulations?

21 DELEGATE KILGORE: I so move.

22 DELEGATE HOGAN: I don't think we need to conform to the state regulations. I  
23 think we can go on this the way it's been, unless there's some overbearing reason to do it.

24 MS. WASS: I think it leaves the commissioners with less criticism. There have been  
25 other commissions and boards that have abided by these. If you follow the state guidelines, then you're  
26 less likely to be criticized for excessive reimbursement, and it does reduce the amount of paperwork  
27 required.

28 DELEGATE KILGORE: I thought it was odd we  
29 treated commissioners, there are other commissioners on this Commission  
30 that are not in the legislature, and I think they're treated differently.



1 MR. ARTHUR: Me, too.

2 SENATOR HAWKINS: There is a uniformity question that gives us some sort of  
3 protection.

4 MS. WASS: Currently for meals we reimburse at cost, no matter how much that costs,  
5 you can eat at McDonald's or anywhere else.

6 MR. STEPHENSON: Mr. Chairman, I asked Stephanie to bring this forward for two  
7 main reasons to bring order to the housekeeping inside the Commission. Currently the system you're  
8 under, your invoices you submit are subject to the FOIA Act and exposed to the public, whereas if you  
9 go to this new system you will not be subject to that.

10 SENATOR HAWKINS: We have a lot of citizen members of this Commission who are  
11 not reimbursed for the time they spent working on the Commission business, and to do that we make  
12 available certain flights to make their trip a little easier. Does that have any affect on the way we handle  
13 our commissioners?

14 MS. WASS: It will have no affect. A lot of the lodging is arranged for direct billing by  
15 the Commission, and that generally will not affect the commissioners. The main changes are, you will  
16 not need to submit meal receipts anymore, and they will be paid at a per diem at the standard state rate  
17 for meeting dates and any travel dates. They will continue to receive a statement for attending meetings.

18 SENATOR HAWKINS: Does anyone have any strong feelings about this?

19 MS. WASS: I think most of the state legislators are subject to the State Travel  
20 Regulations, anyway.

21 MR. ARTHUR: What disadvantages does it do to us?

22 MS. WASS: It limits the ability of commissioners to entertain business prospects.  
23 Originally the idea was that the wining and dining the Partnership does for a lot of potential businesses,  
24 and there are restrictions on what you can do to entertain prospects.

25 SENATOR HAWKINS: The current structure we have now allows people that want to  
26 invest in the area to do things to attract people that want to invest in these areas, and that's not all bad.  
27 We'd be eliminating that piece and depending on the Partnership exclusively to be able to promote our  
28 area.

29 MS. WASS: It does not allow you to not entertain, but I think there are limits on the  
30 amount that you can be reimbursed for.

1           SENATOR HAWKINS: Let's look at this for a little while, it's probably not a bad idea.  
2   There are some options out there, particularly for the counties that may not want to do it.

3           MR. STEPHENSON: Mr. Chairman, one or two matters came up since the Agenda  
4   was published, so I'd like to take a little of the Committee's time to deal with them.

5           Stephanie, would you put up that slide?

6           If you would, Mr. Chairman and members of the Committee, there is a policy that your  
7   Staff has adopted from some years back, and is now following, that is causing a little bit of a concern  
8   among some grantees. Today I'm asking that you affirm that policy, change it if that be your wish. I  
9   want to explain it to you a little bit about when a typical grant, if we make a typical grant to a county for  
10   \$100,000 to build a building. The typical format would be the county would be the grantee, and they  
11   may look to the planning district to administer the grant and then some local contractor to build the  
12   building. When the work is done they will submit invoices to your Staff to be paid. The invoices that  
13   appear to us to be reimbursed might appear as follows. You'll have an architect, a contractor, a PDC  
14   invoice by the administration, but the total cost would be \$100,000, let's say.

15           The next slide, please. The two items in red are the ones that your policy now prohibits  
16   us from reimbursing. We would get \$100,000 worth of invoices, and we would decline that \$5,000  
17   piece and pay the other \$95,000.

18           SENATOR HAWKINS: What's the justification for not paying the administration of  
19   the county?

20           MR. STEPHENSON: Your Staff supports this policy, and we recommend that you  
21   affirm it, but we have some grantees that are displeased with this and feel they should be compensated in  
22   those red items. We just want to be sure that we are doing what the Commission wants.

23           MR. ARTHUR: Give us the \$95,000 back.

24           SENATOR HAWKINS: The PDC invoice would have been, how can you justify that, I  
25   don't see anything wrong with that.

26           DELEGATE KILGORE: These are grant holders,  
27   and money that is given to the localities through the PDC, and now they  
28   want to charge us for administration?

29           MR. STEPHENSON: Correct.

1                   SENATOR HAWKINS: Is there any appetite to change our policy dealing with the  
2    formulary?

3                   All right, next question.

4                   MR. STEPHENSON: Delegate Kilgore, do you want an opportunity to speak to a  
5    matter?

6                   DELEGATE KILGORE: This probably needs to go to Southwest Economic  
7    Development. We're having an overrun on the Carter Fold, Phase 2, and we need \$50,000 more, and  
8    those monies will come from Southwest, the Southwest Economic Development fund. I thought I'd  
9    better bring it up today and try to get with members of the Southwest delegation that are here and get  
10   this in front of the full Commission tomorrow, because the time frame involved is going to occur before  
11   the next Southwest Committee meeting, which is in April. I need it to come to the full Commission  
12   tomorrow. I'll discuss it with the Southwest delegation.

13                  SENATOR HAWKINS: We look forward to hearing from you tomorrow.

14                  MR. STEPHENSON: Mr. Chairman, one of our good commissioners brought to my  
15   attention that there is a particular individual in Southside Virginia who is interested in approaching the  
16   Commission to help fund a tobacco harvesting machine. I was asked to bring this matter to the attention  
17   of the Executive Committee, mainly to take your temperature about whether or not this is something that  
18   you would  
19   welcome in the form of an application, or is it something you would rather refer to one of the land grant  
20   universities. So I'm asking you for your attention and asking you for your general guidance on what to  
21   do with a tobacco harvesting machine?

22                  SENATOR HAWKINS: Fewer and fewer farmers are raising tobacco, and you've got  
23   just a few large operations that would benefit from this allocation. A land grant university that does  
24   research, is there any reason this would be an economic development tool?

25                  DELEGATE HOGAN: Ronnie might know something about it. Is this part of the  
26   burley project? If it's part of the Burley Expansion Project, in that case it might be worth taking a look  
27   at. I don't know.

28                  SENATOR RUFF: Mr. Chairman, as I understand it, several companies like Philip  
29   Morris are wanting bigger acreage for burley than Southwest currently has. I don't think anybody from  
30   Southside wants to start a war with the people from Southwest, and that's kind of why it's here. I don't

1 think there's going to be a war between Southside and Southwest, but it's going to be between Southwest  
2 Virginia and Eastern North Carolina if we don't take some kind of action, because this is where it's  
3 going. They're not going to have small lots of hand-harvested tobacco.

4 SENATOR HAWKINS: I'll tell you what let's do. This is a policy decision to be made  
5 by the Agriculture Subcommittee. Joe, why don't you look at that, come back and let us know if it has  
6 some merit for us to look at?

7 DELEGATE JOHNSON: Yes, sir.

8 SENATOR HAWKINS: I've got a little hesitation about recommending that, but if the  
9 Agriculture Subcommittee feels like it's worth taking a look at, or its justification, then we can look at it.

10 Now, the clawback provision. I'll just point out that the language we are using is  
11 applicable to this situation and may apply to both pots of money. Is there a motion for that? Frank, do  
12 you want to explain to us what the deal is?

13 MR. FERGUSON: Yes, going back to the clawback provision. We looked at the  
14 current language that is used in securitized grants, and we think it's appropriate, and it works all right in  
15 the OL, the non-securitized, probably works better in non-securitized, with the caveat that there be the  
16 ability to amend or alter that language on a specific case if necessary, as you always have with grant  
17 documents. We believe that language will suffice, if we understand that's what the Commission wants to  
18 do.

19 SENATOR HAWKINS: Is there a motion?

20 DELEGATE KILGORE: I'll make that motion.

21 SENATOR HAWKINS: It applies to both. It's been moved and seconded, any  
22 discussion? All in favor say aye? (Ayes.) Opposed? (No response.)

23 Ms. Crawford has made a DVD on the history of tobacco, and those of you that have seen  
24 this know the quality of this work, and they're going to have a special presentation in Richmond the 15th  
25 of February, I understand. For those of you in town, I strongly recommend that you attend.

26 MS. CRAWFORD: Thank you, Mr. Chairman. I  
27 wanted to have the Library of Virginia sponsor this event, along with the Virginia Foundation for  
28 Humanities. I'll turn the mike over to Mary Beth McIntyre. This covers the history of tobacco in  
29 Virginia from Jamestown to the buyout and gives the farmer a chance to speak for himself. It tells the  
30 history in their own voice. It's really the story of the existence of the Tobacco Commission.

1 MS. MCINTYRE: Mr. Chairman, good afternoon, ladies and gentlemen. I'm Mary  
2 Beth McIntyre, the Executive Director of the Library of Virginia Foundation. We wanted to issue you a  
3 special invitation to come see this screening on the 15th of February at 5:30. This is a record of the  
4 history of tobacco and its development and decline of the tobacco culture in Virginia. The Virginia  
5 Foundation for Humanities Public Policy, the Library of Virginia really believes that this is an important  
6 piece of documented history that needs to be viewed by as many as possible. We hope that you all will  
7 be able to attend. Thank you.

8 SENATOR HAWKINS: Thank you, very much, this is really done well, and I  
9 recommend anyone to come and see it. Thank you, again, and look forward to it.

10 Are there any public comments?

11 All right. Is there a motion to adjourn? We're adjourned.

12 PROCEEDINGS CONCLUDED.  
13  
14

15 CERTIFICATE OF THE COURT REPORTER  
16

17 I, Medford W. Howard, Registered Professional Reporter and Notary Public for the  
18 State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed  
19 the proceedings of the **Executive Committee when held on Monday, January 9, 2006 at 3:00 p.m. in**  
20 **House Room C, General Assembly Building, Richmond, Virginia.**

21 I further certify this is a true and accurate transcript to the best of my ability to hear and  
22 understand the proceedings.

23 Given under my hand this \_\_\_\_ day of \_\_\_\_\_, 2006.  
24

25 \_\_\_\_\_  
26 Medford W. Howard

27 Registered Professional Reporter

28 Notary Public for the State of Virginia at Large  
29

30 My Commission Expires: October 31, 2006.